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# NEWCO FINANCIAL CORPORATION

## Annual Report 1977







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## Newco Financial and Operating Highlights

	1977 (000's omitted)	1976	% Increase
New Life Insurance and Annuities Issued .....	<b>202,000</b>	166,629	21.2
Life Insurance and Annuities in Force .....	<b>590,000</b>	437,363	34.9
Total Life Company Assets .....	<b>32,909</b>	25,144	30.9
Benefits Paid to Policy Owners and Beneficiaries .....	<b>3,119</b>	2,599	20.9
Shareholder's Equity .....	<b>11,691</b>	11,716	—
Net Income for the year .....	<b>799</b>	664	20.3
Earnings Per Share .....	<b>468</b>	326*	43.6
Total Assets .....	<b>51,716</b>	33,800	53.0

\* 1976 figure restated to reflect consolidation of shares — see financial statements



## President's Report



The following report is a brief summary of your company's activities during the 1977 fiscal year and the results achieved during that period.

Your company's performance and progress once again gave ample cause for pride and satisfaction. In my last report to you I suggested that the company's capacity for sustained growth during a period of economic uncertainty was an indicator of its innate strength and dynamism. The 1977 results which are detailed on the following pages serve to confirm my optimism. The troubled economies of Canada and, to a lesser degree, the United States have depressed consumer and business confidence to a regrettably low level. Despite this, your company continues to grow, to expand its operations, to challenge new markets, and to innovate.

I suggest that this resilience augurs well for the future.

Our principal subsidiary, **The North West Life Assurance Company of Canada**, was once again the vital spark plug of our corporate activities.

The program of expansion in the United States was actively pursued, and the company is now represented in 12 states with a combined population of over 59,000,000 people. The three additional states added in 1977 were Illinois, Florida and Colorado. It is interesting to note that we now enjoy representation in almost all the areas of fastest population growth in North America. For example, the population of Arizona increased by 29.3% between 1970 and 1977. Florida grew by 24.5%, Idaho by 20.3%, Utah by 19.7% and Colorado by 18.5%. These trends, and the subsequent increase in family formations, provide an ideal climate for our future growth.

As indicated last year, the company also sought to establish a business base in Quebec and Ontario for the first time in 1977. Our acceptance in these competitive markets has been generous, the amount of business written was very satisfactory, and we look forward to continued expansion in these populous regions.

As a result of these activities, New Ordinary Life Insurance and Annuities Issued increased from \$166,629,000 in 1976 to \$202,000,000 in 1977 for an increase of 21.2%. We are predicting that this figure should reach \$300,000,000 by year-end 1978.

Total Business in Force rose 34.9%, from \$437,363,000 in 1976 to \$590,000,000 in 1977.

Premium Income also increased substantially, rising by \$3,142,000 or 45% from \$6,972,000 in 1976 to \$10,114,000 in 1977.



Comparable growth was also registered in Investment Income which rose by \$1,026,000 or 53%, from \$1,953,000 in 1976 to \$2,979,000 in 1977. The performance of the Investment Department was again admirable, as it has been over the years. Invested assets generated an average net investment return of 9.86% compared with 8.88% in 1976, yet the demanding criteria applied to the soundness of our investment portfolio was strictly maintained. This yield is one of the highest — and may be the highest — of any insurance company in North America.

Elsewhere in this report is a brief review of a few of the new policies being marketed by North West Life. We are proud of these innovations. Each has exciting potential as a source of new business for the company, and many offer the added satisfaction of being able to save the policy holder hundreds or even thousands of dollars on his or her life insurance program, or a higher annuity yield than is generally available elsewhere. We anticipate that the broad appeal of these policies and plans will soon begin to show an even more favourable influence on our balance sheets.

NW Growth Fund Ltd., a mutual fund managed by NW Investments Ltd., was converted to an investment company and its name was changed to NW Growth Investments Ltd. The shares of this company are listed on the Vancouver Stock Exchange. NW Investments Ltd. continues to distribute and manage our two remaining mutual funds.

Our real estate division, NWF Realty Services Ltd., has undergone a name change and is now **Newco Realty Ltd.** This is a more functional name and it reflects the company's association with the parent corporation.

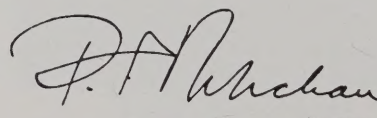
Activity in the housing and mortgage market was again restrained in 1977, a condition shared by most sectors of the economy. With unemployment at an unacceptably high level, restraint programs still in force, and inflation far from checked, both buyers and sellers of homes were understandably reluctant to engage in long term planning and financial commitments. However, housing remains one of the basic needs of the Canadian family, and Newco Realty Ltd. was able to secure a satisfactory share of the activity which did take place in this market. It remains a soundly based, staffed and managed company, well positioned to participate in and profit from the upturn which must soon come in this market.

Going into the new fiscal year we will be without the excellent counsel of Alvin G. Libin, a Director of long standing with the corporation, who has stepped down from the Board of Directors. His presence and his

acumen will be very much missed, and we offer him our most sincere thanks for his services and our best wishes for the future.

We have been fortunate over the years to have attracted men of Mr. Libin's stature to our company. The same is equally true of the men and women who are our staff and agents; and while it is possible to measure, record and condense another successful year into a handful of pages and a scattering of figures, the real achievement in terms of human effort, attitudes, initiative and integrity cannot be easily portrayed. Suffice it to say that the company is proud of and grateful to its people.

It is my firm opinion and resolve that none of them need feel concern for the future. Whatever surprises and disappointments the economy may hold, our business fills a special niche in that we are meeting an essential and unchanging human need. Our primary market offers virtually unlimited potential, because Canadians still buy more insurance per capita than any other people in the world; and we will draw more and more strength in the future from our U.S. representation, which already accounts for nearly one half of the company's total volume. We will continue, too, to innovate in an industry not noted for innovation. And, as we grow, I look forward to attracting more of those creative employees and dedicated agents whose personal successes are embodied in this report.



PETER G. ROPCHAN  
*President*



# Auditors' Report

## **To the Shareholders of Newco Financial Corporation**

We have examined the consolidated balance sheet of Newco Financial Corporation as at December 31, 1977 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the determinations certified by the Life Assurance subsidiary's actuary as to the stated liabilities under insurance contracts.

A significant portion of these consolidated financial statements relate to the Life Assurance subsidiary which are presented in accordance with accounting practices prescribed by insurance regulatory bodies which differ in certain respects, which in some instances may be material, from generally accepted accounting principles. The more significant differences are described in Note 1.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1977, and the results of its operations and the changes in the financial position for the year then ended, in conformity with accounting practices prescribed by regulatory bodies as referenced in the above paragraph applied on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.  
Chartered Accountants

Vancouver, B.C.  
February 6, 1978

## Consolidated Balance Sheet as at December 31, 1977

**ASSETS**

	<b>1977</b>	<b>1976</b>
	(Thousands of Dollars)	
Bonds, at amortized cost .....	<b>\$ 6,697</b>	\$ 5,947
Stocks, at cost .....	<b>983</b>	512
Mortgage loans on real estate — Note 2 .....	<b>20,976</b>	15,870
Real estate held for investment, at cost .....	<b>33</b>	246
Policy loans secured by cash surrender values .....	<b>1,309</b>	1,038
Cash and term deposits .....	<b>11,086</b>	110
Segregated equity investment fund at market value .....	<b>601</b>	568
Premium and investment income receivable .....	<b>1,390</b>	847
Shares held in managed mutual funds, at cost .....	<b>5</b>	5
Office premises and computer installation, at cost less accumulated depreciation and amortization of \$334,000 (1976 — \$289,000) .....	<b>150</b>	169
Investment in life insurance portfolio, fund management contracts and related agency forces — Note 3 .....	<b>8,486</b>	8,488
	<b><u>\$51,716</u></b>	<b><u>\$33,800</u></b>



**LIABILITIES**

	1977	1976
	(Thousands of Dollars)	
Policy reserves .....	\$22,916	\$16,565
Other obligations to policyholders .....	4,095	3,522
Segregated equity fund policy liabilities .....	601	568
Reserve for security valuation .....	501	588
Accounts payable and accrued liabilities .....	960	601
Due to shareholders on share consolidations — Note 4 .....	889	104
Demand bank loan .....	—	100
	<u>29,962</u>	<u>22,048</u>
Minority interests — Note 5 .....	10,063	36

**SHAREHOLDERS' EQUITY**

Share capital — Note 6:		
Authorized 4,190 common shares of no par value		
Issued and fully paid 1,706 common shares .....	9,485	10,257
Retained earnings .....	2,206	1,459
	<u>\$51,716</u>	<u>\$33,800</u>

Approved by the Directors:

P. G. ROPCHAN, Director

G. T. CORLETT, Director



# Notes to the Consolidated Financial Statements December 31, 1977

## NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Principles of Consolidation

The consolidated financial statements for the year ended December 31, 1977 include the accounts of the following subsidiaries:

	Percent of Ownership
The North West Life Assurance Company of Canada	99%
NW Fund Management Ltd.	100%
NW Investments Ltd.	100%
NW Publications Ltd.	100%
Newco Realty Ltd.	100%
R. M. Thomson & Co. Ltd.	100%
NW Leasing Ltd.	100%
NW Growth Investments Ltd. — common shares	100%

All material inter-company transactions have been eliminated.

NW Growth Investments Ltd. (formerly NW Growth Fund Ltd.) was reorganized effective September 30, 1977 from a mutual fund corporation to an investment corporation.

The consolidated financial statement of Newco Financial Corporation reflects 60% of the earnings of NW Growth Investments Ltd. from October 1, 1977 as 40% of the earnings after preference dividend effectively accrue to the preferred shareholders (Note 5).

### Accounting Policies

A significant portion of the consolidated accounts represent the accounts of the Life Assurance subsidiary, which have been prepared on the basis of accounting practices prescribed or permitted by insurance regulatory authorities. Significant regulatory accounting practices which differ in material respects from generally accepted accounting principles include the following:

#### Revenue and Expenses

Premium revenues are recognized as they become due. Expenses, including the acquisition costs of new business, are charged to operations as incurred rather than being amortized against the related premium income, over the expected policy life. This results in a reduction of the net income reported during periods of business growth.

#### Investments in Bonds and Stocks

Bonds and stocks are required to be carried at values prescribed by the regulatory insurance authorities which provisions require the establishment of a security valuation reserve against market fluctuations.

### Policy Reserves

Statutory life policy and annuity contract reserves represent policy liabilities computed under methods prescribed by government regulations which methods specify the mortality table to be used, the rate of interest to be assumed and the formula to be applied. Statutory interest assumptions are at times lower than actual yields which tends to defer recognition of income.

### Corporate Income Taxes

Income taxes are reported on an actual taxes payable basis rather than the tax allocation basis.

## NOTE 2 — MORTGAGE LOANS ON REAL ESTATE

In 1976 the company granted an interest bearing loan of \$100,000 to an officer of the company. The loan is fully secured by a second mortgage and has a five year term.

## NOTE 3 — LIFE INSURANCE PORTFOLIO, FUND MANAGEMENT CONTRACTS AND RELATED AGENCY FORCES

This amount arose principally during 1969 and 1970 on the acquisition of the Life Insurance and Mutual Fund Management subsidiary companies and represents the cost of the acquisition less the capital and surplus of the subsidiaries at the dates of acquisition.

## NOTE 4 — DUE TO SHAREHOLDERS

This amount represents the unpaid balance arising from the share consolidation in 1974 and 1977.

## NOTE 5 — MINORITY INTEREST

Included in minority interest is \$9,913,338 which represents 2,023,130 issued redeemable, cumulative, 6% preferred shares of NW Growth Investments Ltd.

The holders of redeemable preferred shares are entitled to receive fixed preferential cumulative cash dividends at the rate of 6% per annum with the first of such dividends accruing from January 1, 1978 and payable in 1979.



If all accrued and unpaid dividends on the redeemable preferred shares have been fully paid, the Board of Directors may declare further dividends which shall be paid to both the common shares and redeemable preferred shares as follows:

60% of such additional dividends to the common shares  
40% of such additional dividends to the redeemable preferred shares.

#### **NOTE 6 — SHARE CAPITAL**

On December 12, 1977 the company consolidated its share capital from 419,000 authorized and 201,470 issued to 4,190 authorized and 2,014 issued shares. On the consolidation, the issued shares were further reduced by the company purchasing the resulting fractional shares at the rate of \$2,500 per whole share.

	Number	Value
Issued at December 31, 1976 prior to consolidation	<u>201,470</u>	<u>\$10,256,789</u>
Issued on consolidation	2,014.7	\$10,256,789
Reduction of issued shares on purchase of fractional shares	<u>308.7</u>	<u>771,750</u>
Issued at December 31, 1977	<u>1,706.0</u>	<u>\$ 9,485,039</u>

#### **Common Shares Reserved**

There are 3,772 shares of The North West Life Assurance Company of Canada outstanding which could as a result of an offer outstanding, be exchanged for and result in the issuance of 11 shares of Newco Financial Corporation.

Pursuant to a director's resolution dated September 23, 1969, options may be granted for share purchase plans to employees of the company or its subsidiaries. There are 3 options at \$3,000 per share outstanding and exercisable at December 31, 1977 expiring at varying dates over the next two years.

#### **NOTE 7 — INCOME TAXES**

The company had life insurance policy reserves which had not been claimed for income tax purposes in prior years. To the extent available these have been applied in 1977 and have reduced the taxes payable. As a result of legislative changes and indicated but unissued regulations to the Income Tax Act, it appears that this treatment will not be available in future years.

#### **NOTE 8 — REMUNERATION OF DIRECTORS AND OFFICERS**

The aggregate remuneration paid to directors and senior officers (including the five highest paid employees) was \$183,000 (1976 — \$183,000).

#### **NOTE 9 — ANTI-INFLATION BOARD LEGISLATION**

The company is subject to the requirements of the Anti-Inflation Act which restricts the amount of dividends payable to October 13, 1978.

#### **NOTE 10 — COMPARATIVE FIGURES**

Certain accounts for 1976 have been restated in order to be comparative with the current year.



## Consolidated Statement of Income for the year ended December 31, 1977

	1977	1976
	(Thousands of Dollars)	
<b>INCOME:</b>		
Life premiums and annuity considerations .....	\$10,114	\$ 6,972
Investment income .....	2,979	1,953
Mutual fund management and related fees .....	422	534
Realty and other income .....	219	140
Foreign exchange gain .....	155	
Total income .....	<u>13,889</u>	<u>9,599</u>
<b>PAYMENTS TO POLICYHOLDERS AND BENEFICIARIES:</b>		
Death benefits .....	1,211	916
Annuity benefits .....	471	344
Other assurance contract benefits .....	1,143	1,081
Dividends .....	<u>284</u>	<u>258</u>
	<u>3,119</u>	<u>2,599</u>
Insurance policy reserve provisions .....	<u>6,076</u>	<u>3,327</u>
<b>EXPENSES:</b>		
Sales .....	2,135	1,587
Administration .....	1,528	1,356
Depreciation .....	45	39
	<u>3,708</u>	<u>2,982</u>
Total appropriation and expenses .....	<u>12,903</u>	<u>8,908</u>
Income before income taxes, minority interests and extraordinary item .....	986	691
Income taxes — Notes 1 and 7 .....	<u>73</u>	<u>29</u>
Income before minority interests and extraordinary item .....	913	662
Minority interests .....	<u>114</u>	<u>6</u>
Income before extraordinary item .....	<u>799</u>	<u>656</u>
<b>EXTRAORDINARY ITEM:</b>		
Reduction of income taxes due to application of loss carried-forward .....	<u>—</u>	<u>8</u>
Net income for the year .....	<u>\$ 799</u>	<u>664</u>
<b>EARNINGS PER SHARE:</b>		
Income before extraordinary item (1976 based on 2,014.7 shares) .....	\$468.35	325.61
Net income for the year (1976 based on 2,014.7 shares) .....	<u>\$468.35</u>	<u>329.58</u>



## Consolidated Statement of Retained Earnings for the year ended December 31, 1977

	1977	1976
	(Thousands of Dollars)	
Balance, beginning of the year . . . . .	\$ 1,459	\$ 790
Net income for the year . . . . .	<u>799</u>	<u>664</u>
	2,258	1,454
Dividends paid . . . . .	139	113
Decrease in the reserve for security valuation — Note 1 . . . . .	<u>87</u>	<u>118</u>
Balance, end of the year . . . . .	<u>\$ 2,206</u>	<u>\$1,459</u>



# Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1977

	1977	1976
	(Thousands of Dollars)	
<b>SOURCE OF CASH:</b>		
From operations		
Net income for the year	\$ 799	\$ 664
Items not requiring an outlay of cash including increase in policy reserves, deposit liabilities, future dividends, policy claims awaiting proof and minority interests	6,530	3,926
Total cash from operations	7,329	4,590
Net increase in cash arising from consolidation of NW Growth Investments Ltd.	9,913	—
Increase in due to shareholders	785	—
From sale and repayment of investments		
Bonds and stocks	4,002	1,498
Mortgages	3,875	1,321
Real estate	289	38
From changes in other accounts	1,350	233
Total source of cash	27,543	7,680
<b>USE OF CASH:</b>		
Cost of investments purchased		
Bonds and stocks	5,223	2,247
Mortgages	8,981	5,055
Real estate	76	284
Dividends	139	113
Reduction in share capital	772	—
Changes in other accounts	1,276	251
Total application of cash	16,467	7,950
Increase (decrease) in cash during the year	11,076	(270)
Cash and short-term deposits less bank indebtedness, beginning of the year	10	280
Cash and short-term deposits less bank indebtedness, end of the year	\$11,086	\$ 10



## Newco Statistical Review

	1977 (000's)	1976 (000's)	1975 (000's)	1974 (000's)	1973 (000's)
NEW LIFE INSURANCE AND ANNUITIES ISSUED .....	<b>\$202,000</b>	\$166,629	\$ 82,560	\$ 41,000	\$ 33,500
LIFE INSURANCE AND ANNUITIES IN FORCE .....	<b>590,000</b>	437,363	300,395	240,000	220,700
MUTUAL FUND ASSETS UNDER ADMINISTRATION .....	<b>6,192</b>	21,988	23,612	18,500	27,400
Life premiums and annuity considerations ..	<b>\$ 10,114</b>	\$ 6,972	\$ 5,049	\$ 4,158	\$ 4,204
Investment income .....	<b>2,979</b>	1,953	1,504	1,244	975
Mutual fund management and related fees ..	<b>422</b>	534	744	789	849
Realty and other income .....	<b>374</b>	140	232	239	51
Total .....	<b>13,889</b>	9,599	7,529	6,430	6,079
Payments to Policyholders and Beneficiaries .....	<b>3,119</b>	2,599	2,407	2,090	1,608
Increase in Policyholder reserves .....	<b>6,076</b>	3,327	2,132	1,592	2,068
Operating income .....	<b>986</b>	691	394	424	307
Income taxes .....	<b>73</b>	21	—	—	—
Minority interests .....	<b>114</b>	6	4	4	3
Net income .....	<b>\$ 799</b>	\$ 664	\$ 390	\$ 420	\$ 304
Earnings per share					
—income before extraordinary items .....	<b>\$ 468</b>	\$ 325	\$ 182	\$ 207	\$ 121
—from extraordinary items .....	<b>—</b>	4	10	—	20
—for the year .....	<b>\$ 468</b>	\$ 329	\$ 192	\$ 207	\$ 141

Earnings per share figures for 1976 and prior years have been restated in terms of consolidated shares.



## Innovation is a Measure of Leadership . . .

In simpler, more stable times, insurance companies might have been able — and content — to operate with a limited number of unchanging, tried-and-true plans and policies. There was neither need nor incentive to innovate.

Times change. Those companies who aspire to leadership must respond to a host of different and changing socio-economic, cultural, monetary, educational, regulatory, demographic and other factors in designing and marketing their products.

Over the years, The North West Life Assurance Company of Canada has placed a high priority on innovation. As a result, the company offers a wide range of new policies, many of them unique to North West Life, which have met with growing acceptance in the markets we serve. Many of them have been tailored specifically for our United States market, others designed solely for Canada.

In Canada, for example, the company recently introduced an Adjustable Single Premium Whole Life Insurance policy offering permanent coverage that can be less than half the cost of conventional annual premium policies now sold by other companies. A new 5-Year Renewable and Convertible Term Policy offers \$100,000, \$200,000 and \$500,000 plans with particularly attractive renewal rates without medical re-qualification, plus convertibility to Decreasing Term Insurance to age 100. Another new policy, a Variable Premium Retirement Annuity Plan, offers a similar degree of economy and flexibility to meet changing needs and preferences. Of particular interest to partnerships, families and small associated groups of between 2 and 6 people is the company's Contingent Life Plan, available with a number of different whole life and term policies. It enables the agent to write a joint policy at attractive savings in premiums for a mixed group of different ages and sexes requiring different amounts of insurance coverage.

In the United States, two new Annuity Plans have already achieved substantial sales success: the Flexible Premium Deferred Annuity Plan currently offers 8.3% compound interest plus attractive premium flexibility; the Master Annuity Plan features a current rate of 8% annual interest, no sales charge and, of course, unconditional guarantee of all principal and interest. Among a broad range of whole life and term insurance plans, the company's 'Smart' Life Plan (Special Modified Annual Renewal Term) is especially popular for its double-value refund of the first year's premium deposit after the first ten-year term of the contract.

The success of policies like these generates a very large volume of premium income for investment by the company; and the acuity of the Investment Department is one of the primary keys to the company's financial strength and success. This department had made an outstanding contribution over the years and was particularly successful in 1977. While applying strict criteria as to the soundness of every investment, the Investment Department was able to generate an average net investment return of 9.86% in 1977, up from 8.88% the previous year.

We believe this figure to be one of the highest, if not the highest, in the North American life insurance industry. Needless to say, this type of high yield on invested assets enables us to design policies and annuities which are highly appealing in all the markets we serve.



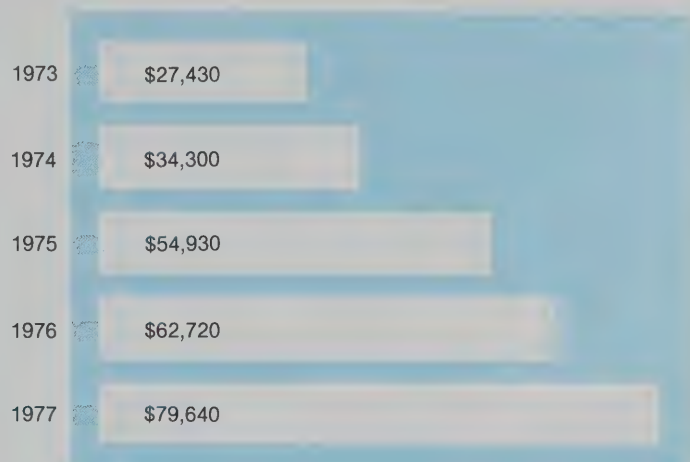
*Mr. Allan L. Thomson, Senior Vice-President and Mrs. Carol Harvey, Agency Administrator of North West Life, keep the 318 agents informed through the use of modern computers.*



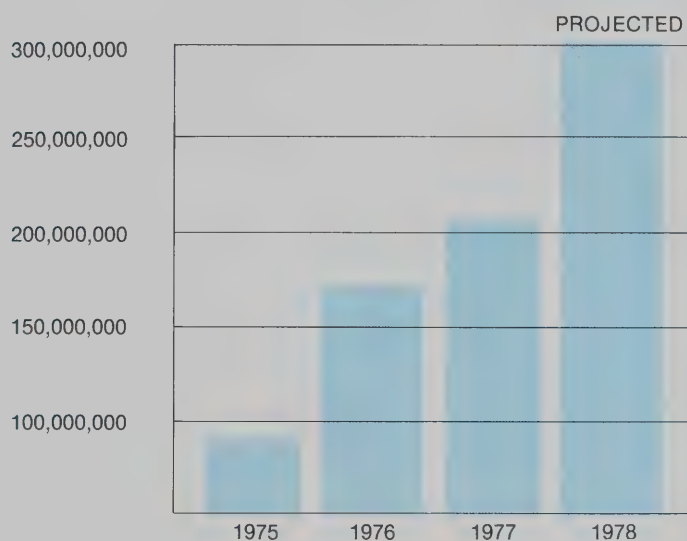
## ... And Leadership Means Growth

As might be appreciated, larger policies tend to be undertaken by families in higher income brackets; and the larger the policy and premiums, the greater the incentive for the insured to maintain the policy in force.

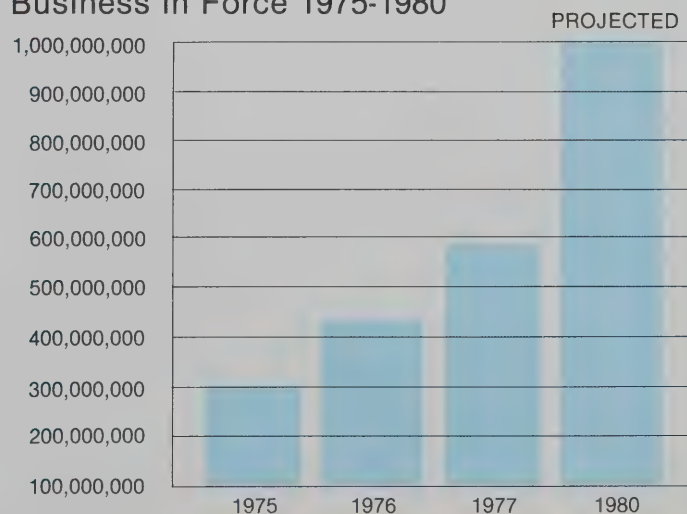
### North West Life Average Policy Size



### North West Life: New Business 1975-1978



### North West Life: Life Insurance Business in Force 1975-1980







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FOR THE SIX MONTHS ENDED JUNE 30, 1977

## NEWCO FINANCIAL CORPORATION

### REPORT TO SHAREHOLDERS

July 26, 1977

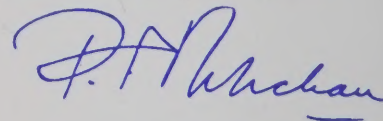
Dear Shareholder:

The year 1977 continues to set records for your Company as growth in new business and net income follows the trend reported in the first quarter. In addition, a milestone has been reached by our subsidiary, The North West Life Assurance Company of Canada, in that life insurance and annuities in force passed the half-billion mark, reaching \$530,000,000 at June 30, 1977.

New life insurance written during the first six months of 1977 amounted to \$118 million, an increase of 79% over the first half of 1976. Consolidated revenue rose to \$7,326,000, an increase of 55% over 1976 and net income rose to \$293,000, an increase of 41%. Again, these results have been achieved in spite of the high cost of acquiring new business and the increased competition in the marketplace.

On your behalf, I would like to thank our field agencies, head office staff and management for their part in producing the excellent results in the first half of 1977.

Respectfully Submitted

A handwritten signature in blue ink, appearing to read "P.G. Ropchan", with a horizontal line underneath the name.

P.G. Ropchan,  
President



NEWCO FINANCIAL CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME  
for the six months ended June 30, 1977

Income	1977	1976
Life premiums and annuity considerations . . . . .	\$5,669,000	\$3,494,000
Investment income . . . . .	1,258,000	904,000
Mutual fund management and related fees . . . . .	300,000	274,000
Realty and other income . . . . .	<u>99,000</u>	<u>58,000</u>
<b>Total Income . . . . .</b>	<b>7,326,000</b>	<b>4,730,000</b>
<b>Payments to Policyholders and Beneficiaries:</b>		
Death benefits . . . . .	378,000	532,000
Annuity benefits . . . . .	213,000	172,000
Other assurance contract benefits . . . . .	558,000	511,000
Dividends . . . . .	<u>92,000</u>	<u>93,000</u>
	1,241,000	1,308,000
Insurance Policy Reserve Provisions . . . . .	3,887,000	1,745,000
<b>Expenses:</b>		
Sales . . . . .	1,162,000	786,000
Administration . . . . .	707,000	648,000
Depreciation and amortization . . . . .	<u>24,000</u>	<u>24,000</u>
<b>Total Appropriation and Expenses . . . . .</b>	<b><u>7,021,000</u></b>	<b><u>4,511,000</u></b>
Income Before Income Taxes and Minority Interest . . . . .	305,000	219,000
Income Taxes . . . . .	25,000	25,000
Minority Interest . . . . .	<u>3,000</u>	<u>2,000</u>
Income before Extraordinary Item . . . . .	277,000	192,000
Reduction of income taxes due to application of loss carried forward . . . . .	<u>16,000</u>	<u>16,000</u>
<b>Net Income For the Period . . . . .</b>	<b><u>\$ 293,000</u></b>	<b><u>\$ 208,000</u></b>
Earnings per share before extraordinary items . . . . .	\$ 1.37	\$ 0.95
Earnings per share for the period . . . . .	\$ 1.45	\$ 1.03



NEWCO FINANCIAL CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION  
for the six months ended June 30, 1977

	1977	1976
SOURCE OF CASH:		
From operations		
Net income for the period . . . . .	\$ 292,000	\$ 208,000
Items not requiring an outlay of cash including increase in policy reserves, deposit liabilities, future dividends and policy claims awaiting proof . . . . .	<u>4,384,000</u>	<u>2,176,000</u>
Total Cash from operations . . . . .	4,676,000	2,384,000
From sale and repayment of investments		
Bonds and stocks . . . . .	1,356,000	698,000
Mortgages . . . . .	1,657,000	615,000
Real Estate . . . . .	187,000	—
Increase in bank indebtedness . . . . .	150,000	—
From changes in other accounts . . . . .	<u>7,000</u>	<u>15,000</u>
Total source of cash . . . . .	<u>8,033,000</u>	<u>3,712,000</u>
USE OF CASH:		
Cost of investments purchased		
Bonds and stocks . . . . .	2,577,000	1,082,000
Mortgages . . . . .	4,949,000	2,477,000
Real Estate . . . . .	77,000	139,000
Increase of Policy Loans . . . . .	56,000	24,000
Dividends . . . . .	56,000	56,000
Changes in other accounts . . . . .	<u>577,000</u>	<u>381,000</u>
Total application of cash . . . . .	<u>8,292,000</u>	<u>4,159,000</u>
Decrease in cash . . . . .	259,000	447,000
Less cash and short-term deposits minus bank indebtedness, beginning of period . . . . .	<u>110,000</u>	<u>280,000</u>
Bank indebtedness minus cash and short-term deposits, end of period . . . . .	<u>\$ 149,000</u>	<u>\$ 167,000</u>